COMPETITIVE REWARD COMMERCE MODEL

RELATED APPLICATION

Application claims priority to provisional application 60/229,283 filed on August 31, 2001.

ABSTRACT

An online competitive commerce program (the "Program") rewards artists and record labels that have manufactured compact disks or other products based on the number of such products sold online through the Web site of an Internet sales entity. The Program, created for use with music industry merchants, awards a cash prize on a monthly basis to the artist or label whose product sells in the greatest quantity. Such products include CDs, T-shirts, concert tickets, etc.

APPENDIX

Attached hereto are appendix A, B, and C, which illustrate the invention in operation.

Appendix A is a summary of the invention as applied to a reward model based on CD sales and Mailing List additions.

Appendix B is a deleted summary explaining the rules and procedures relating to a CD sales-based embodiment of this invention.

Appendix C is a deleted summary explaining the rules and procedures relating to a Mailing List-based embodiment of this invention.

BACKGROUND OF THE INVENTION

The present invention relates to a reward program used by a merchant that sells products via the World Wide Web to provide incentives to suppliers to use the merchant as their retailer and to promote the Web site of the merchant.

Traditional incentive models typically reward the purchaser by offering rebates, product credit, or other merchandise, or reward the retailer by giving cash and/or bulk rate discounts based on the quantity of products ordered or sold. Similarly, suppliers or retailers may offer commissions or prizes to a retailer's sales force. With respect to purchaser incentives, these programs are designed to encourage customer loyalty and/or present the appearance that the customer has received a bargain. With respect to retailers or their sales force, these programs are designed to motivate sales people to aggressively promote the supplier's products or services.

No reward models, however, effectively provide <u>suppliers</u> incentives to (1) direct potential customers to a particular retailer; (2) produce a better product; and (3) market the product themselves, by offering a prize to the supplier whose product sells in the greatest quantity over the retailer's Web site. Companies that operate in-part over the World Wide Web fiercely compete for new users in order to drive-up both their advertising revenue, which is proportional to user traffic, and their sales revenue. The Program described herein is a novel method of getting suppliers to help a merchant to obtain these end-results.

SUMMARY OF THE INVENTION

The invention described herein includes a method of selling items that awards a cash prize on a monthly basis to the supplier whose product sells in the greatest quantity. By way of example only, such suppliers include bands, record labels, manufacturers, or distributors.

In view of the background provided above, the present invention is advantageous in that it provides incentives to suppliers to (1) use the merchant's Web site to distribute their products and services; (2) promote the merchant's Web Site in so much as they are trying to win the reward that is offered by the Company; and (3) provide hyperlinks to the merchant's Web site on the suppliers' Web sites. As a result, the merchant will receive: revenue in the form of a percentage of sales; increased advertising revenue resulting from an increased in site traffic; and increased brand awareness stemming from exposure gained from the program and the traffic it generates.

The Program provides several benefits to suppliers that assures their participation. These include: increased sales of products and services; promotion on the merchant's Web Site; and, most importantly, the potential for a large reward if the supplier should "win" the competition.

As will be apparent, one of ordinary skill in the art will readily appreciate other applications in all areas of commerce, both online and offline, entertainment and otherwise. By way of example only, this model can be used by online merchants such as Amazon.com to sell books, or at an offline retailer such as Barnes & Noble. Either could offer an award based on the sales of books by competing authors or publishers. As will also be apparent to one skilled in the art, this model could be applied by a company that is not a merchant in the traditional sense, but instead serves as an information portal, such as About.com (e.g., by awarding prizes to their most popular content providers).

BRIEF DESCRIPTION OF THE DRAWINGS

Fig. 1 is a schematic view of the system in accordance with the invention.

Fig. 2 is a schematic view of the system of Fig. 1 operating with a tiered structure.

Fig. 3 is a schematic view of the system of Fig. 1 demonstrating a non-sales driven competition.

Fig. 4 is a schematic view of the system of Fig. 1 utilizing a referral sales method where a prize is offered by a middle-man.

Fig. 5 is a schematic view of the system of Fig. 1 utilizing a referral sales method where a prize is offered by the merchant.

DETAILED DESCRIPTION OF THE
PREFERRED EMBODIMENT

A preferred embodiment of the invention will now be described in detail with respect to its various applications in internet-based music retail with reference to FIGS. 1-5. The system described is intended for use by web-based retailers that sell the products of developing musicians and small record labels. As previously mentioned, however, numerous applications exist.

Figure 1 illustrates the general architecture of a sales/reward system that operates in accordance with the present invention. The system includes a customer computer 1, a supplier computer 2 and a merchant Web site 3, which are linked together by the Internet 4. The customer computer 1 and supplier computer 2 may be any type of computing devices that allow a user to interactively browse Web sites via a Web browser 5. For example, the customer computer 1 may be a personal computer that runs the Windows 2000 operating system.

The merchant Web site 3 is a site that allows customers to purchase products. Typically, site 3 will be operated by a merchant that handles the various order processing, shipping, collections, and customer service tasks associated with the sale of goods. One such merchant is StarPolish LLC.

The site 3 includes registration software 6 that allows a supplier operating supplier computer 2 to register as a supplier of site 3. The supplier must complete an online registration process, providing various information relating to both the supplier and the product(s) it wishes to sell on Site 3. This information is then stored in product database 7.

Merchant site 3 also includes a Web server 8, which allows merchant site 3 to communicate with other servers or computers via the World Wide Web. Merchant site 3 further includes an inventory tracking system 9. Inventory tracking system 9 allows the merchant to keep track of the quantity of product received from the supplier, sold to the customers, and remaining for sale to future customers. Merchant site 3 additionally includes an e-commerce system 10, which allows consumers to purchase products via merchant site 2 and handles the commerce element of such transactions. E-commerce system 10 includes electronic shopping cart software 11, virtual terminal software 12, and data encryption software 13. Third-parties not shown may be required to provide services relating to credit card authorization and merchant banking.

In operation, the program works as follows: A supplier operating supplier computer 2 visits merchant Web site 3 by using Web browser 5. The supplier, desiring to sell product through Merchant Web site 3, completes a registration process, which is powered by registration software 6. The information concerning the product and the supplier is stored in product database 7. Supplier then ships its product to merchant, who, in turn, enters the quantity of product into inventory tracking system 9 and stores product into warehouse 14. Alternatively, the supplier might be directed to ship its product to a third-party fulfillment company that handles the warehousing and shipping of product for the merchant.

In one embodiment, the customer computer 1 used to browse through merchant Web site 3 or purchasing a product may be a wireless device, known to those skilled in the art.

A customer, desiring to browse the selection of products in product database 7 or to purchase a particular product, visits merchant Web site 3 using Web browser 5 to communicate with merchant site 3. The customer then adds the product(s) to his shopping cart and makes a purchase via e-commerce system 10. Following the sale is entered into inventory tracking system 9.

At the close of each month or other time period, the total sales for each product are tallied via inventory tracking system 9. The merchant then awards a cash prize to the supplier who has sold the most number of any individual product.

In one embodiment, the products sold include compact discs ("CDs"), DVDs, video tapes, t-shirts, MP3s, concert tickets, stickers, or may include products that are not at all related to entertainment. The suppliers of such products could be bands, musicians or record labels. In the event that more than one type of product is sold at any given time, it may be desirous for merchant to offer a cash prize for each type of product.

In addition to or in lieu of these competitions, the merchant may give awards based on criteria other than units sold. By way of example only, the award(s) could be given to the suppliers whose products (a) generate the greatest revenue or profit for the company, (b) show the greatest increase in number of sales, or (c) show the greatest increase in sales revenue. Furthermore, as should be apparent to those skilled in the art, the award described herein need not be cash-based.

In another embodiment of the invention, shown in Figure 2, the program operates on two or more tiers and awards two or more cash prizes. These tiers may be defined by any combination of eligibility restrictions, prize value or other criteria. By way of example only, a two tiered system might be structured thusly: Tier 1 is open to all suppliers that want to compete for the monthly Tier 1 prize, $10,000. In order to participate in the Tier 2 competition, however, an entrant must not have sold more than 200 units in any given month. The winner of the monthly Tier 2 competition receives $1000. Alternatively, these criteria can serve as guidelines rather than restrictions, whereby a supplier that averages less than 200 units in a given month is encouraged to participate in Tier 2 and those that sell greater quantities are encouraged to participate in Tier 1. Rather than or in addition to limiting entrants to the Tier 2 competition as described above, the Company may also limit Tier 2 entrants to those suppliers that have not won a Tier 2 competition.

Figure 3 shows another embodiment of the invention. In this embodiment, suppliers compete for prizes based on non-sales driven criteria. For example, Figure 3 illustrates a competition where bands augment their mailing lists by either entering their fan's information or encouraging their fans to join their mailing list through the Company Web Site. The company may choose to verify the entries by sending an email to the fans listed, and requiring that they reply to be counted for purposes of the competition or may choose to employ a different verification process. At the end of each month or other time period, the band that has registered the greatest amount of new fans during such time period or that has the most total number of registered fans on its mailing list wins a cash prize.

Figure 4 illustrates yet another embodiment where, rather than directly selling a product or service, a middle-man having a middle-man web site 15 with web server 17 refers the end-user to merchant site 3 that finalizes the sale of a product or service. At the end of each month, a tracking program 16 known to those skilled in the art will tally the number of products sold and revenue generated from such sales as a result of the middle-man's references. The supplier whose product sold in the greatest quantity, accounted for the most revenue, or showed the greatest increase in revenue or products sold as a result of such reference wins a prize from the middle-man.

Figure 5 illustrates yet another embodiment that also uses a middle-man to refer the end-user to another site or merchant that finalizes the sale of a product or service. At the end of each month, a inventory tracking system 9 will tally the number of products sold and revenue generated from such sales as a result of the middle-man's references. The middle-man whose references have